Customer Complaints

by Steve Brown

You probably remember the case in the early 1990s that brought discussion about frivolous lawsuits to the forefront. The case involved an elderly woman who bought a cup of takeout coffee at a McDonald's drive- thru and spilled it on her lap. She sued, saying the coffee was too hot and should have come with warnings. To the surprise of many, a jury awarded her nearly $3mm in damages for her injuries.

Years after this infamous case, discussion continues whether the facts were fairly portrayed in the media and whether the lawsuit really had merit. A documentary has even been filmed that challenges people to think about their long-held beliefs about the case and whether they are valid.

Bankers we know firsthand that some complaints are frivolous and some have merit. Regardless, every complaint requires attention and now thanks to heightened regulatory scrutiny, banks have even more reason to stay on their toes.

While customers have always been able to complain to banking regulators, The Consumer Financial Protection Bureau's (CFPB) consumer complaint database makes it even easier.

Since its inception in Jul 2011 through June of this year, the CFPB had received about 177k complaints. They break down into complaints about mortgages (49%), credit cards (21%), bank accounts/services (15%), credit reporting (8%), private student loans (3%), consumer loans (3%) and money transfers (1%). Overall, most of the complaints tend to be aimed at large banks and mortgage companies, but community banks are still vulnerable. Beyond the threat of a complaint to the CFPB, there's an enormous amount of information available to the public today at the click of a mouse or the swipe of a finger. All it takes is one disgruntled customer to set off a firestorm of unwanted media attention. Banks must be careful and have proper procedures in place to avoid issues.

This is one reason why it's so important for banks to have a good system in place to handle things when customer relations go awry, as they sometimes do. When dealing with disgruntled customers, it's important to get the situation under control quickly and effectively. It's never a good idea to let hard feelings fester. It's bad for the customer, the bank and business.

Nipping problems in the bud means training your staff appropriately. Many problem-solving techniques aren't inherent and even tellers and managers who possess such skills can benefit from a refresher course. For example, teach staff to listen carefully to every customer, without interrupting or getting defensive. Another good tip is to repeat back what the customer is saying to be sure you have it straight. This shows you are paying attention and helps to demonstrate a level of empathy. It's also important to make sure you get all the facts and ask questions as necessary to understand the situation.

Another pointer is that customers don't like to be bounced from one employee to another or be put in a situation where they have to explain a problem multiple times. Solving problems quickly and with a minimal number of roadblocks, helps customers feel the bank is on their side.

Not all complaints rise to the level of a lawsuit or even do noticeable damage, but customer grievances are certainly bad for business. Left unchecked, they have the potential to grow into something much bigger, so staying on top of things is critical.

BANK NEWS

M&A

First Community Bank ($625mm, SC) will acquire Savannah River Banking Co. ($157mm, SC) for cash (60%) and stock (40%) of about $33.6mm.

M&A

Co-op Services CU ($415mm, MI) will acquire Rivers Edge Community CU ($95mm, MI).

SFR Regulatory Update

The CFPB revised its small entity compliance guide for the ability-to-repay/qualified mortgage rule. Revisions reflect changes to the final rule; change APR threshold for small creditor and balloon-payment QMs; modify loan originator points/fees calculation; cover exemptions for certain creditors, loans and federal programs; clarify what counts as a QM for small creditors; indicate which creditors can issue balloon-payment QMs; how to determine debt/income under the QM's 43% debt-to-income limit and other things.

Business Change

A survey by the International Foundation of Employee Benefit Plans finds 53% of companies surveyed are shifting healthcare costs to the employee and 36% are increasing wellness initiatives, as they prepare to implement the Affordable Care Act.

Branch Closures

According to the FDIC, banks that closed the most branches in 2012 in order were Bank of America (193), PNC (54), RBS Citizens (53), US Bank (44) and Wells Fargo (43). This group represents 17% of the total 2,267 branches closed nationwide last year.

High Turnover

HR outplacement firm Challenger, Gray & Christmas reports CEO turnover in July jumped to the highest level in 3Ys, with retirement the most often cited reason.

Not Affordable

The latest National Association of Home Builders/Wells Fargo Housing Opportunity Index finds rising home prices and lower inventory resulted in only 69.3% of homes sold in 2Q affordable to people earning the US median income vs. 73.7% from 1Q. This is the lowest level of housing affordability in 4Ys.